GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2565
ANSWERED ON:18.03.2005
PROPOSED MODIFICATION OF TAX STRUCTURE ON CERTAIN PRODUCTS
Shiwankar Shri Maha Deo Rao

Will the Minister of FINANCE be pleased to state:

(a) whether the Governmetn is working on a scheme for simplifying/streamlining the structure of tax on certain products in the country as reported in Dainik Jagran on 28.12.2004;

(b) if so, the details thereof;

(c) the production sectors in the country where the tax structure is proposed to be modified;

(d) the effects it is likely to have on the investors;

(e) whether a growth rate of 8 to 10 percent is likely to be achieved in next few years by the proposed modification; and

(f) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI S.S.PALANIMANICKAM)

(a) and (b) Government has been pursuing the objective of moderately progressive tax structure, by reduction in general levels of customs tariffs, reduction in the dispersion of tariff rates and rationalization of duty structure and rates. The changes are made in the gradual way so as to moderate their impact on both domestic industry and revenue.

(c) In budget 2005, the Government has brought down peak rate of customs duty(for non agriculture goodswith a few exceptions) from 20% to 15%. Customs duty on basic raw materials including metals, refractory raw materials, catalysts, basic organic chemicals and basic plastic materials has been reduced to 10% on crude petroleum to 5% and on petroleum products to 10%. Customs duty on a number of capital goods has also been reduced to 10% or 5%. Further, excise duty has been reduced from 24% to 16% on tyres, air conditioners and polyester filament yarn.

(d), (e) & (f) Changes made in duty structure and rates are expected to reduce cost of raw materials as well as capital goods and thus facilitate investment and growth. Actual growth, however, depends upon a number of factors, including the tax structure and rates.